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UNCLAS SECTION 01 OF 02 PARIS 001729

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SUBJECT: The Googlisation of France

PARIS 00001729 001.2 OF 002

¶1. (SBU) Summary: Google's fortunes may be rising in France as the GOF announced a government-funded digitization project that will likely include a partnership with Google. But Google still faces setbacks that include possible corporate tax fraud charges, continued public ire against Google's digitization of French cultural works, and the loss of a lawsuit brought by French publishers. A new French start-up boasts it can rival Google but real competition is years away. End Summary.

#### Google Books Program Enrages Cultural Elite

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¶2. (SBU) French publishers and culture experts were enraged last August when news broke of Google's negotiations with the French National Library. Serge Eyrolles, president of a group of French publishers, called the project "cultural rape." Discussions were suspended. Overnight, Google went from being everyone's favorite search engine to a symbol of voracious American capitalism and cultural insensitivity. French publishers sued Google for counterfeiting and copyright violations for digitizing works under their control, and competing EU and French digitization efforts (Europeana.eu, Gallica2) accelerated. Culture Minister Frederic Mitterrand appointed Marc Thessier, former head of France Television, to produce a report by late December on digitization of France's cultural heritage. Mitterrand requested 753 million euros (USD 1.1 billion) from the "grand emprunt," France's special debt offering to fund future-oriented investment, to pay for government digitization of French works and to keep them out of commercial hands, i.e., Google's.

#### Culture Minister Mitterrand Extends Olive Branch

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¶3. (SBU) Mitterrand's position has since taken a more positive and productive tone. He met December 7 with David Drummond, a Google senior vice president and chief legal officer, and agreed to visit Google's Mountain View campus in March. According to Google staff, Mitterrand said he was not anti-American and hinted that Google may have a role in the digitization program to be funded by the "grand emprunt." Mitterrand's peacemaking efforts are all the more surprising given his efforts on November 27 to unite his European counterparts against commercial digitization of European works. Mitterrand was also behind the EU decision to appoint a council of "wise men" to create an EU digitization plan.

#### French Culture Goes Digital

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¶4. (SBU) President Sarkozy announced his plans for the grand emprunt in a December 14 speech, including nearly USD 1.1 billion for digitization of French works. Sarkozy emphasized that France would not be stripped of its heritage by "a big company, no matter how friendly, big, or American it is." But French National Library President Bruno Racine told the press that the money will finance a

public-private partnership, with possible Google involvement. Racine claimed opposition to Google stemmed more from its dominant place in the market rather than the fact it was a private company. (Note: Post contacts at the Ministry of Culture also oppose Google's alleged "exclusivity contract," which they claimed gave Google exclusive rights to the books Google digitized. According to company contacts, Google's stipulation is that the actual digital file created by Google cannot be given to another competing search engine for 25 years. But a library could give the same book to a competing search engine to be digitized with its own technology. The library would also control use of the Google-generated digital file for all other non-competing uses. End note.)

#### No Tax On Internet Ads, But Possible Charges Of Anti-Competition, Corporate Tax Fraud

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15. (SBU) Google SVP Drummond also met with Patrick Zelnick, the record producer appointed by the GOF to develop a legal alternative to illegal downloading including a funding mechanism for cultural development. French publishers oppose Google's free use of their content to enrich its search engine and sell advertising, and had urged Zelnick to tax online ads as a way to compensate them for their alleged losses. Google staff said Zelnick seemed likely to drop the tax idea, a position he had also indicated to post, but said Zelnick mentioned that the French Competition Council may go after Google based on the market share of its ad revenues. In addition, Mitterrand's press advisor, Vincent Peyregne, accused Google of corporate tax fraud because firms that advertise with Google France and any of its EU-based operations pay their subscriptions to Google Ireland, where corporate taxes are among the lowest in Europe.

#### Google Loses French Copyright And Counterfeiting Lawsuit

PARIS 00001729 002.2 OF 002

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16. (SBU) On December 18, the court upheld the French publishers' complaint, barring Google from using their works and assessing 300,000 euros in damages. The precedent is damaging and the plaintiffs will claim a moral victory, but given the complaint's initial request for 15 million euros in damages, Google escaped serious financial penalties. Google has one month to comply with the ruling.

#### Competitor Could Ease Pressure

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17. (SBU) Polinum, a new consortium of French technology companies and government-backed IT research labs, says its digitization technology will rival Google's in three years, and hopes to capture much of the European library market. With only four million euros (USD 5.7 million) in financing, however, Polinum is unlikely to be a viable player any time soon.

18. (SBU) Comment: The change in Mitterrand's position may be due to the GOF recognition that it would take USD 1.5 billion and real expertise to digitize just the French National Library's 14 million books and several million other documents. Google's willingness to create jobs in France may have also helped: Google agreed to open a scanning facility in Lyon when it entered into a digitization agreement with the University of Lyon's library. With the court's ruling following on the heels of this potential thaw, however, Google's troubles in France are not over.

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